

PUBLIC DISCLOSURE

JUNE 20, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

AVON CO-OPERATIVE BANK

1 EAST MAIN STREET
AVON, MA 02322

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **AVON CO-OPERATIVE BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **June 20, 2005**. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Based on the five criteria specified for institutions with assets under \$250 million, Avon Co-operative Bank's overall CRA performance is considered Satisfactory. The Bank's loan-to-deposit ratio stood at 48.1 percent as of March 31, 2005, and has averaged 49.9 percent over the last 8 quarters. This performance meets the standards for satisfactory performance based on the Bank's size, customer credit needs, and the competitive market in which it operates.

Mortgage loan data for calendar years 2003 and 2004, indicates that Avon Co-operative Bank originates the majority of its residential mortgages within the assessment area. The Bank meets the standards for satisfactory performance in this category also.

Low- and moderate-income families represent more than 47.9 percent of total family households. The Bank's performance in lending to borrowers of different income levels meets the standards for satisfactory performance when compared to the distribution of loans among low- and moderate-income borrowers by other lenders within the assessment area.

The Bank's assessment area, based on 2000 census data, is comprised of 1 low-income census tract, 11 moderate-income census tracts and 17 middle-income census tracts. There are no upper-income census tracts within the assessment area. Based on the analysis of the geographic distribution of loans within each locality, the Bank's performance is considered to be adequate.

Finally, based on a review of the Bank's CRA-related complaint file and fair lending policies and practices, no evidence of any discriminatory practices was noted. The evaluation resulted in an overall rating of "Satisfactory".

PERFORMANCE CONTEXT

Description of Institution

Avon Co-operative Bank is a mutually owned, state chartered institution with its only office located in Avon, Massachusetts. The Bank has a drive-up window and an Automated Teller Machine ("ATM"). The Bank's ATM is connected to the Money Access Service (MAC) network with additional access to NYCE and Cirrus. Banking hours are considered convenient and accessible to the Bank's customers.

As of March 31, 2005, the Bank's assets totaled \$59.56 million of which \$25.77 million, or 43.3 percent, represented total loans. The Bank is primarily a real estate lender with 86.2 percent of its loan portfolio consisting of residential real estate loans. The remaining loan portfolio consists of nonfarm nonresidential and construction and land development loans with 6.6 percent and 5.2 percent, respectively. The remaining portfolio consists of consumer and commercial and industrial loans, each representing less than 5 percent of the total portfolio. Additional information regarding the comparison of the Bank's loan portfolio is summarized below.

Loan Distribution as of March 31, 2005		
Loan Type	Dollar Amount \$(000)	Percent (%)
Secured by:		
Construction and Land Development	1,335	5.2
1-4 Family Residential Properties	22,208	86.2
Multi Family (5 or more) Residential Properties	0	0.0
Nonfarm Nonresidential Properties	1,706	6.6
Commercial and Industrial Loans	165	0.6
Consumer Loans	445	1.7
Less: Unearned Income	86	-0.3
Total	25,773	100.0

Source: Report of Condition

Other than the Bank's relatively small asset size and limited staff, there appears to be no significant financial or legal impediments which would limit the Bank's ability to help meet the various credit needs of its assessment area.

The Bank operates in a very competitive market. Local competitors include but are not limited to Harbor One Credit Union, Citizen's Bank and The Community Bank, as well as representatives of regional and national mortgage companies.

The Bank was last examined for compliance with the CRA by the Federal Deposit Insurance Corporation ("FDIC") on December 11, 2002, and resulted in a Satisfactory rating. The last Division examination was conducted on May 24, 1999, and also resulted in a Satisfactory rating.

PERFORMANCE CONTEXT (CONTINUED)

Description of the Assessment Area

The CRA requires financial institutions to define an assessment area within which its lending efforts are focused. The Division evaluates the institution's CRA performance based upon the defined assessment area.

Avon Co-operative Bank has defined its assessment area as the Towns of Avon, Brockton, Holbrook and Randolph. This area is located in two Metropolitan Statistical Areas ("MSA"s). Avon and Brockton are located in the Brockton MSA and Holbrook and Randolph are located in the Boston MSA. The Bank's assessment area contains 29 census tracts. Of the total tracts, 2 are designated as low-income, 10 are designated as moderate-income, and 17 are designated as middle-income. There are no upper-income census tracts.

Based on the 2000 U.S. Census data, the Department of Housing and Urban Development ("HUD") median family incomes for the Brockton and Boston MSAs were \$57,700 and \$65,500, respectively. Subsequently, HUD makes annual adjustments of MSA median family income figures. The 2003 adjusted median family incomes for the Brockton and Boston MSAs were \$70,300 and \$80,800, respectively.

In 2000, the Office of Management and Budget ("OMB") published new standards for defining Metropolitan Areas. MSAs are now defined in terms of whole counties. If the specified criteria are met, an MSA containing a single core with a population of 2.5 million may be subdivided to form smaller groupings of counties. Effective for 2004, the Brockton MSA was eliminated and the Boston MSA was subdivided to form smaller groupings of counties referred to as Metropolitan Divisions ("MD"). The Bank's entire assessment area is now part of the Boston-Quincy MD. The adjusted median family income for the Boston-Quincy MD for 2004 was \$75,300.

Assessment Area 2003/2004

The following table provides demographic and economic information pertaining to the Bank's assessment area for 2003 based on census data for 2000, the assessment area is comprised of 29 census tracts. The breakdown classification of the tracts in 2003 is as follows: 1 or 3.5 percent low-income, 11 or 37.9 percent moderate-income, and 17 or 58.6 percent middle-income. The assessment area contains no upper-income census tracts.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>House- holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
Low	3.5	2.0	2.2	0.1	5.2	6.5	151,000
Moderate	37.9	36.6	37.0	24.0	56.2	53.4	124,040
Middle	58.6	61.4	60.7	75.9	38.6	40.1	144,753
Total of Median	100.00	100.0	100.0	100.0	100.0	100.0	140,848

Source: 2000 U.S. Census

PERFORMANCE CONTEXT (CONTINUED)

The following table provides demographic and economic information pertaining to the Bank's assessment area for 2004. This table reflects the breakdown of the assessment area's census tracts based on the median income for the Boston-Quincy MD. The census data for the assessment area's 29 census tracts within the MD are as follows: 2 or 6.9 percent low-income, 10 or 34.5 percent moderate-income, and 17 or 58.62 percent middle-income.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>House- holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
Low	6.9	3.9	4.1	1.5	7.6	10.8	135,912
Moderate	34.5	34.7	35.2	22.6	53.8	49.1	124,210
Middle	58.6	61.4	60.7	75.9	38.6	40.1	145,543
Total of Median	100.00	100.0	100.0	100.0	100.0	100.0	137,642

Source: 2000 U.S. Census

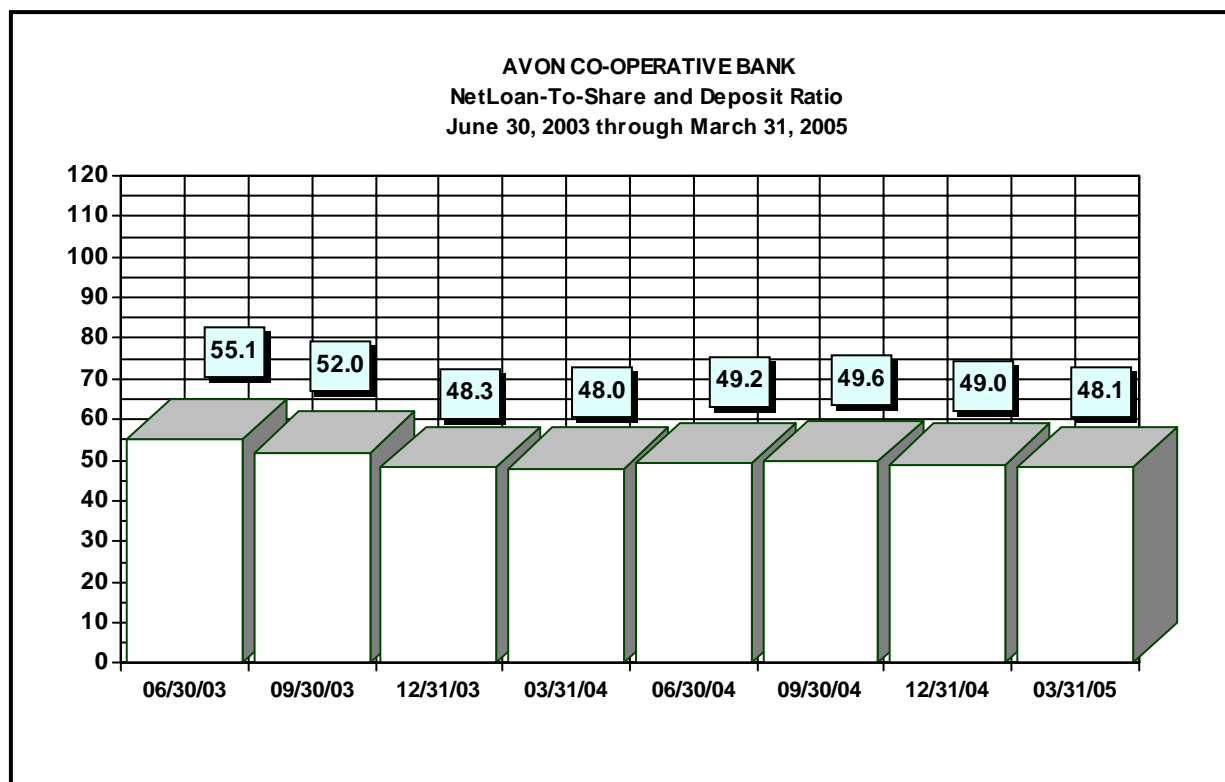
Demographic data obtained from the CRA WIZ indicate that the Bank's assessment area contains a total population of 140,495 individuals. There are 52,263 housing units within the assessment area, of which 59.2 percent are owner-occupied, 37.9 percent are rental occupied, and 2.9 percent is vacant units. Households living below the poverty level represent 11.8 percent of total households.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon the Bank's asset size, its capacity to lend, and the credit needs of its customers, the institution's net loan-to-deposit ratio meets the standards for satisfactory performance.

An analysis of Avon Co-operative Bank's net loan-to-deposit ("LTD") ratio was performed during the examination. The analysis utilized the last eight quarters of the Federal Financial Institutions Examination Council ("FFIEC") Call Report data for this institution. The Bank's net loans to total deposits as reported to the FFIEC were reviewed for the quarters ending June 30, 2003 through March 31, 2005. The following chart indicates that for the period reviewed, the Bank's net LTD decreased from a high of 55.1 percent as of June 30, 2003, to a low of 48 percent as of March 31, 2005. The average LTD ratio for this period was 49.9 percent



The Bank's net loan-to-deposit ratio for first quarter 2005 is indicated below and is compared to six other institutions that operate within the Bank's assessment area. The Bank's efforts in stimulating loan growth by bringing rates more in line with the competition is limited due to its size, resources, product offerings, and strong competition for loans by larger institutions. Therefore, the comparison to other similarly situated institutions, as shown in the following table, puts the Bank's net loans-to-deposit ratio at a reasonable level.

PERFORMANCE CRITERIA (CONTINUED)

<i>Loan-to-Deposit Ratios as of March 31, 2005</i>			
Bank	Net Loans (\$000)	Deposits (\$000)	% LTD
Community Bank, A Co-operative Bank	236,707	232,837	101.7
Holbrook Co-operative Bank	66,761	79,042	84.5
Dedham Co-operative Bank	37,296	52,484	71.1
Bank of Easton, A Co-operative Bank	46,892	70,928	66.1
North Abington Co-operative Bank	42,149	72,272	58.3
Canton Co-operative Bank	31,623	65,274	48.5
Avon Co-operative Bank	25,523	53,022	48.1

Based on the foregoing information, the Bank's asset size and resources, and the credit needs of its customers, the Bank's net loan-to-deposit ratio is considered to be at a satisfactory level.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based upon the analysis of Home Mortgage Disclosure Act ("HMDA") data, the Bank's level of lending within the assessment area meets the standards for satisfactory performance.

HMDA-reportable residential loans were used to compare the institution's level of lending inside the assessment area. This data was also used to compare the level of lending outside the assessment area. These loans consisted of first and second mortgages and home improvement loans on one to four family properties. Refinanced mortgages represented 70 percent of total loans on residential properties.

According to the institution's HMDA data, the Bank originated 74 loans inside the Bank's assessment area representing 74.7 percent of the total number, or 71.5 percent of the total dollar volume of \$14.9 million. Of The total loans inside the assessment area, Avon accounted for 68.9 percent of the total number and 67.0 percent of the total dollar volume. Brockton and Randolph were second and third with 17.6 percent and 10.8 percent of the total number, respectively. The dollar volume of loans originated in Brockton and Randolph represented 16.4 percent and 11.2 percent, respectively. Refer to the following table for a breakdown of loan activity by year.

Distribution of HMDA Loans Inside and Outside the Assessment Area										
Year	Number of Loans					Dollars				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2003	44	77.2	13	22.8	57	6,456	75.5	2,098	24.5	8,554
2004	30	71.4	12	28.6	42	4,219	66.2	2,150	33.8	6,369
Total	74	74.7	25	25.3	99	10,675	71.5	4,248	28.5	14,923

Source: HMDA LAR/CRA WIZ 2003

The data presented above for HMDA-reportable loans indicates that the Bank extends the majority of its loans, by number and dollar volume, within the assessment area. The overall rate of lending within the assessment area is at a satisfactory level.

PERFORMANCE CRITERIA (CONTINUED)

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

The distribution of residential loans to borrowers of different incomes reflects adequate penetration among all income levels. Based upon this analysis, the Bank's efforts meet the standards for satisfactory performance.

The analysis of borrower income level was identified as the ratio of borrower income to the median family income¹ for the assessment area towns located within the MSA/MD. The median family income is based upon estimated 2003 and 2004 HUD information for the Brockton and Boston MSAs for 2003 and the Boston-Quincy MD for 2004. The 2003 median family incomes for the Brockton and Boston MSAs were \$70,300 and \$80,800, respectively. The 2004 median family income for the Boston-Quincy MD is \$75,300.

The following table indicates loans originated and categorized by the applicants' reported income in relation to the median family income for the MSA/MD in which the property is located. Loans to borrowers of low- and moderate-income represented 12.2 percent and 29.7 percent of loans originated, respectively. Loans extended to borrowers with incomes within the moderate and upper-income level for the MSA/MD median family income were both at 29.7 percent of the total number for the period reviewed. Loans extended to borrowers of middle-income were next with 28.4 percent of the total number. The following table provides a breakdown of residential loans originated by number categorized by the applicants' income level.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Families¹	Aggregate Lending Data (% of #)	2003		2004		Total	
		2003	#	%	#	%	#	%
Low	26.3	8.5	4	9.1	5	16.7	9	12.2
Moderate	21.6	29.0	10	22.7	12	40.0	22	29.7
Middle	24.5	31.0	14	31.8	7	23.3	21	28.4
Upper	27.6	16.2	16	36.4	6	20.0	22	29.7
NA	0.0	15.3	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	44	100.0	30	100.0	74	100.0

Source: 12000 U.S. Census, HMDA LAR/2003 HMDA Aggregate Data

The Bank's loan data within the various income levels for calendar year 2003 was compared to that of all other lenders within the assessment area for the same year. The results of the analysis indicated that the Bank's lending among low-income borrowers was

¹ As defined by the U.S. Department of Housing and Urban Development (HUD) Low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as an income level that is 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as an income level that is 80 percent to less than 120 percent of the MSA median family income, while upper-income is defined as an income level that is equal to or greater than 120 percent of the MSA's median family income.

PERFORMANCE CRITERIA (CONTINUED)

at a level proportionately higher than the other HMDA reporters. The Bank's and the aggregate's lending performance among moderate-income borrowers was comparable to the percentage moderate-income households. Based upon the analysis of borrower income, the distribution of residential loans indicates adequate penetration among the different income levels.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The analysis of the geographic distribution of residential loans and a comparative analysis of 2003 HMDA aggregate data indicate that Avon Co-operative Bank's efforts meet the standards for satisfactory performance.

The Bank's lending activity within the assessment area was reviewed in order to determine the distribution of lending among census tracts of various income levels. As mentioned in the performance context, the Bank's assessment area contains 2 low-income, 10 moderate-income, and 17 middle-income census tracts. There are no upper-income census tracts within the Bank's assessment area.

The analysis of the Bank's loan originations indicates that 1 loan or 1.4 percent was located in a low-income tract, 4 in moderate-income census tracts, and 69 or 93.2 percent were located in middle-income census tracts. Refer to the following table.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-occupied Housing Units¹	Aggregate Lending Data (% of #)	2003		2004		Total	
			2003					
Low	0.1	0.6	0	0	1	3.3	1	1.4
Moderate	24.0	28.0	2	4.6	2	6.7	4	5.4
Middle	75.9	71.4	42	95.5	27	90.0	69	93.2
Total	100.0	100.0	44	100.0	30	100.0	74	100.0

Source: ¹2000 U.S. Census, HMDA LAR HMDA Aggregate Data

The figures for the 2003 data are not consistent with the owner-occupancy rate within the assessment area's various census tract income categories. The distribution of the Bank's loans within the low- and moderate-income census tract categories for 2003 is considerably less than that of the aggregate lending data or the rate of owner-occupancy within low- and moderate-income geographies. The Bank's low rate of penetration within low- and moderate-income census areas and the Bank's performance in contrast to aggregate lending data was noted in the previous CRA examinations conducted by the Division and the FDIC. Previously as well as in the current evaluation, the limited activity is partially due to the high level of competition and the Bank's branch structure, which is comprised of the single office in Avon. Avon is comprised of a single middle-income tract and Holbrook and Randolph contain only middle-income tracts. The low- and moderate-income tracts are located in the more competitive Brockton market. These particulars may present additional challenges for a small institution's ability to penetrate the low and moderate-income geographies.

PERFORMANCE CRITERIA (CONTINUED)

Other factors also impact the distribution of loans including the Bank's limited advertising and product offerings, which would attract individuals within low and moderate-income tracts. Also, the Bank's delivery system limits the Bank's visibility in areas much beyond Avon. This is reflected particularly in low and moderate-income census tracts, which indicate consistently low loan activity. Considering the Bank's size and resources, the Bank's geographic distribution of loans is considered to be reasonable.

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

The Bank's fair lending data was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. The Bank has a written Fair Lending Policy that addresses specific areas relating to internal and external employee training and makes reference to HMDA, CRA, the Equal Credit Opportunity Act ("ECOA") and Fair Lending Regulations. Primarily, the Bank markets its services and products to the community through print media.

A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. Sample reviews of the Bank's approved and non-originated residential loan application files were conducted to check for fair lending issues. No discriminatory practices were noted.

PERFORMANCE CRITERIA (CONTINUED)

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. Between 2003 and 2004, the Bank received a total of 87 residential loan applications from within its assessment area. During this period, 7 applications, or 8.0 percent were received from minority applicants. All but one minority application was approved.

Refer to the following table for further details.

Minority Application Flow*								
Race	2003 Aggregate Data		Bank 2003		Bank 2004		Bank Total	
	#	%	#	%	#	%	#	%
<i>Native American</i>	114	0.4	0	0.0	0	0.0	0	0.0
<i>Asian</i>	943	3.4	0	0.0	0	0.0	0	0.0
<i>Black</i>	4,636	16.9	4	7.7	1	2.9	5	5.8
<i>Hispanic</i>	1,201	4.4	0	0.0	1	2.9	1	1.1
<i>Joint</i>	0	0.0	0	0.0	1	2.9	1	1.1
<i>Other</i>	1,386	5.0	0	0.0	0	0.0	0	0.0
Total Minority	8,280	30.1	4	7.7	3	8.6	7	8.0
<i>White</i>	11,984	43.6	48	92.3	32	91.4	80	92.0
<i>NA</i>	7,251	26.3	0	0.0	0	0.0	0	0.0
Total	27,515	100.0	52	100.0	35	100.0	87	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

The Bank's minority application flow for this period was compared with the racial and ethnic make-up of the assessment area and the 2003 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority credit applicants.

According to 2000 Census Data, the Bank's assessment area in 2003 contained a total population of 140,495 individuals, 37.5 percent of which is representative of various racial and ethnic minorities. The 2003 aggregate data indicates total applications received from minority applicants, at 30.1 percent, is at a level that more closely reflects the racial and ethnic composition of the assessment area.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (1 East Main Street, Avon, MA 02322)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.